

# Quarterly Loan Review Findings

FHA's Quarterly Loan Review Summary for Quarter ending September 30, 2013



## Introduction >>>

The FHA Quarterly Loan Review Findings include all Single Family Post-Endorsement Technical Loan Reviews (PETRs) conducted by FHA between July 1, 2013 and September 30, 2013. **This report reflects the initial rating of each file reviewed during the quarter.** A loan rated unacceptable may change if the lender provides mitigating documentation to FHA. Even if a rating is subsequently mitigated, an initial rating of unacceptable indicates the loan endorsement file exhibited a material defect at the time of endorsement. The loans reviewed are selected by a risk targeting methodology and are not representative of the overall FHA portfolio. For additional details on the Report, please see our June 2013 edition of *Lender Insight*.

## Loan Sample Characteristics >>>

Total Loans Reviewed:	6,692	Purchase:	70%
Conforming:	16%	Rate & Term Refinance:	5%
Deficient:	36%	Streamline Refinance:	25%
Initial Unacceptable:	48%	HECM:	0%
		EPDs:	19%

Finding Category	% of Total	% Unacceptable (U)
Program Eligibility	10%	76%
Credit/Underwriting	23%	79%
Collateral/Asset Valuation	7%	64%
Operational Deficiencies	9%	77%
File Documentation	51%	64%
<b>Total</b>	<b>100%</b>	

## Top 5 Findings Ranked by Category


Credit and Underwriting	% of Total	% U
1. CAIVRS, LDP/GSA authorization, and/or delinquent federal debt issues not properly documented or satisfied.	21%	64%
2. Unacceptable, unsupported, or insufficient source of funds.	16%	82%
3. Income improperly documented.	13%	82%
4. Concerns related to assets derived from gift(s).	13%	79%
5. Obligations of borrower(s) (non-purchasing spouses included) omitted, inaccurate, not supported, not disclosed, and/or illegible.	11%	85%
6. All other	26%	86%
	<b>100%</b>	

Collateral/Asset Valuation	% of Total	% U
1. Concerns related to Sales Comparison Approach section of the appraisal report.	41%	56%
2. Concerns related to the Neighborhood, Site, and/or Improvements section of the appraisal report.	40%	62%
3. Property does not meet Minimum Property Requirements or Standards.	8%	87%
4. Repairs not acceptably addressed.	5%	99%
5. Appraisal is missing or expired.	4%	80%
6. All other	2%	64%
	<b>100%</b>	

Operational Deficiencies	% of Total	% U
1. Data integrity deficiencies: File documentation does not support Accept/Approve decision in AUS.	40%	80%
2. Lender Insured data integrity concerns: Insured loan data entered in FHA connection is not supported by file documents.	28%	72%
3. Unallowable, excessive costs/credits to borrower or other HUD-1 and/or Good Faith Estimate inaccuracies.	20%	86%
4. Data discrepancies exist between information entered into FHAC and the case binder, but do not effect loan approval or insurability.	10%	63%
5. Sales contract dated less than 91 days from acquisition date by seller.	1%	96%
6. All other	1%	74%
	<b>100%</b>	

File Documentation	% of Total	% U
1. Form HUD-92900-A not properly completed or missing.	21%	54%
2. Uniform Residential Loan Application not properly completed or missing.	14%	51%
3. HUD-92900-LT FHA Loan Underwriting and Transmittal Summary is missing, illegible or incorrect.	11%	61%
4. Form HUD-92800.5B substantially incomplete, incorrect or missing.	9%	57%
5. HUD-1, HUD-1 Addendum if applicable, and/or Good Faith Estimate either missing, not the final copy, not complete or illegible.	7%	65%
6. All other	36%	78%
	<b>100%</b>	

*Top 5 Findings Ranked by Category (Continued)*

FOCUS 	Program Eligibility	% of Total	% U
1.	Purchase contract, Real Estate Certificate and/or amendatory clause missing, illegible or incorrect.	25%	65%
2.	Streamline refinance eligibility criteria not met.	15%	87%
3.	Issues related to National Mortgage Licensing System registration requirements.	13%	59%
4.	Mortgage amount incorrect, loan-to-value limit and/or statutory limit exceeded.	12%	100%
5.	Borrower not owner occupant, property not principal residence, possible investor issues, and/or eligibility requirements for principal residence not met.	10%	77%
6.	All other	26%	79%
		<b>100%</b>	